

# **Michigan Public School Employees Retirement System**

## **2008 Health Care Rating**

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Presented by

**GRS**

Gabriel Roeder Smith & Company

# Health Care Rating – Calendar Year 2008

- The purpose of these rating calculations is to determine what retiree and dependent rates and premiums will be in calendar year 2008 for medical/prescription drug, dental and vision coverages.
- This is accomplished by projecting the total expected benefit costs and administrative expenses for calendar year 2008.

# Medical Rating

## Annual Experience Trend Rates

<u>Historical Trends</u>	<u>Hospital</u>	<u>Surgical/Medical</u>	<u>Prescription Drug</u>	<u>Overall Average</u>
2003	4.7%	8.9%	10.8%	8.5%
2004	8.2%	14.1%	10.3%	10.5%
2005	11.1%	6.2%	6.9%	8.0%
2006	9.0%	9.5%	3.4%	6.3%
Updated 2006	6.4%	10.4%	1.1%	4.8%
Average Trend				
2003 – 2006	7.9%	9.8%	7.3%	8.0%
2008 BCBSM				
Corporate Trend	13.5%	8.2%	7.0%	9.4%
<b>2008 Trend Assumption</b>	<b>9.0%</b>	<b>10.0%</b>	<b>8.0%</b>	<b>8.8%</b>



# Medical Rating

## BCBSM Administrative Fees Per Contract Per Month\*

<u>Calendar Year</u>	<u>Administrative Fee</u>
2007	\$42.21
2008	\$43.90
% Increase	4.0%

\* Contract is defined as the pension recipient plus the pension recipient's dependents, if any.

# Medical Rating

## Annual Premium Rate Adjustments

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>Historical Average</u>	<u>2008</u>
<b>Hospital</b>	4.5%	6.3%	8.8%	11.3%	4.1%	<b>7.0%</b>	<b>3.6%</b>
<b>Surgical/Medical</b>	15.0%	7.8%	17.9%	-1.5%	11.5%	<b>10.1%</b>	<b>8.3%</b>
<b>Prescription Drug</b>	0.0%	7.9%	6.0%	5.1%	-3.3%	<b>3.1%</b>	<b>-18.9%</b>
<b>Total</b>	4.0%	7.4%	9.5%	5.4%	2.4%	<b>5.7%</b>	<b>-4.9%</b>

# Medical Rating

## Contributing Factors for 2008 Rate Adjustments

- Annualized overall rate adjustment is down 4.9% due to:
  - Reflection of the PDP payments from Medicare.
  - Overall trends are lower compared to BCBSM corporate trends and national health care trend surveys.



# Medical Rating

## Statutory Requirements for Retiree Premiums

- Pension recipients with Medicare – no premium.
- Pension recipients without Medicare – monthly premium equals the Medicare Part B premium.
  - \$96.40 for calendar year 2008
- Dependents – monthly premium equals 10% of the projected cost for dependent coverage.

# Medical Rating

## 2007 vs. 2008 Monthly Rate & Premium Comparison

	2007			2008		
	Total Premium	Subsidy	Amount Deducted From Pension	Total Premium	Subsidy	Amount Deducted From Pension
<b>Without Medicare</b>						
Self	\$ 649.07	\$ 555.57	\$ 93.50	\$ 646.38	\$ 549.98	\$ 96.40
Self and Spouse	1,198.08	1,049.68	148.40	1,192.37	1,041.37	151.00
Self and Child(ren)	890.44	772.80	117.64	886.55	766.13	120.42
Self, Spouse & Child(ren)	1,439.45	1,266.91	172.54	1,432.54	1,257.52	175.02
<b>With Medicare</b>						
Self	\$ 306.49	\$ 306.49	\$ 0.00	\$ 278.92	\$ 278.92	\$ 0.00
Self and Spouse	588.25	560.07	28.18	534.18	508.65	25.53
Self and Child(ren)	547.85	523.71	24.14	519.09	495.07	24.02
Self, Spouse & Child(ren)	829.61	777.30	52.31	774.34	724.80	49.54
<b>One With and One Without Medicare</b>						
Self Without & Spouse With	\$ 930.83	\$ 809.15	\$ 121.68	\$ 901.62	\$ 779.69	\$ 121.93
Self With & Spouse Without	855.50	800.60	54.90	824.92	770.32	54.60
Self Without, Spouse With & Child(ren)	1,172.19	1,026.37	145.82	1,141.79	995.84	145.95
Self With, Spouse Without & Child(ren)	1,096.86	1,017.82	79.04	1,065.09	986.47	78.62



# Dental and Vision Rating

## Dental Experience

Historical Period	Monthly Per Contract Incurred Claim	Increase
July 2002 - June 2003	\$36.73	4.9%
July 2003 - June 2004	\$38.71	5.4%
July 2004 - June 2005	\$40.09	3.6%
July 2005 - June 2006	\$41.65	3.9%
July 2006 - June 2007	\$42.96	3.1%
Average Trend 2002-2007		4.2%
2008 Trend		4.5%

# Dental and Vision Rating

## Vision Experience

Historical Period	Monthly Per Contract Incurred Claim	Increase
July 2002 - June 2003	\$5.53	4.9%
July 2003 - June 2004	\$5.71	3.3%
July 2004 - June 2005	\$5.79	1.4%
July 2005 - June 2006	\$6.37	10.0%
July 2006 - June 2007	\$6.14	-3.6%
Average Trend 2002-2007		3.2%
2008 Trend		3.0%

# Dental and Vision Rating

## Administrative Fees Per Contract Per Month\*

Calendar Year	Dental	Vision
2007	\$2.98	\$0.66
2008	\$2.98	\$0.66
% Increase	0.0%	0.0%

\* The administrative fees for both dental and vision benefits are not final.



# Dental and Vision Rating

## Statutory Requirement for Retiree Premiums

- Pension recipients and dependents – monthly premium equals 10% of the projected per member cost.

# Dental and Vision Rating

## Monthly Per Member Rates\*

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>07 vs. 08 % Change</u>
Dental	\$26.94	\$28.38	\$28.91	\$30.26	<b>\$30.83</b>	1.9%
Vision	\$3.53	\$3.62	\$3.61	\$4.26	<b>\$4.12</b>	-3.4%
Total	\$30.47	\$32.00	\$32.52	\$34.52	<b>\$34.94</b>	1.2%
Per Member Premium	\$3.05	\$3.20	\$3.25	\$3.45	<b>\$3.49</b>	1.2%

\* Member is defined as either the pension recipient or the pension recipient's dependents.